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SUBJECT: Vatican Conference Lends Support to Gordon Brown's International Finance Facility

SUMMARY

¶11. (U) A July 9 Vatican seminar on "Poverty and Globalization: Financing for Development gave an implicit Holy See blessing for UK Chancellor Gordon Brown's International Finance Facility (IFF). Brown sold the IFF as an innovative finance mechanism that could increase funding to meet the UN Millennium Development Goal of halving extreme poverty by 2015. The Pope, in a letter to the conference, called for increased foreign aid and welcomed the IFF as "an innovative solution" to this end. The high-level conference also brought together Cardinal Cormac Murphy-O'Connor, Archbishop of Westminster, Inge Kaul, UN Development Program, Jack Boorman of the IMF, as well as representatives from the World Bank, International Cooperation for Development and Solidarity, the UN Executive Coordinator for Financing for Development, and the Catholic Agency for Overseas Development. End Summary.

Finance Facility Receives Papal Blessing

¶12. (SBU) In an effort to push for movement on the Holy See's priority global development goals debt reduction for highly indebted poor countries and new financing for development the Pontifical Council of Justice and Peace brought together leading voices in international finance to provoke discussion on what the Pope termed "creativity in charity." According to Council sources, the conference was the brainchild of Cardinal Murphy-O'Connor and was designed to offer UK Chancellor of the Exchequer Gordon Brown a platform to drum up support for his IFF proposal.

¶13. (U) The Pope warmly obliged by welcoming the IFF as part of a "search for innovative solutions." In a letter read to the Conference, the Pope emphasized the Holy See's strong support for the millennium goal of halving the number of people living in poverty by the year 2015. Citing the Holy See's "preferential option for the poor" - he urged development-goal advocates to show creativity in pursuing new sources of financing so that "ever more effective ways may be found of achieving a more just distribution of the world's resources." While acknowledging that considerable progress has already been made in reducing the debt burden for poor countries, the Pope emphasized that "more is needed if developing countries are to escape the crippling effects of underinvestment." Significantly, the Pope balanced his call for increased foreign aid with a caution to recipient countries of their "obligation to demonstrate transparency and accountability" in the use made of international assistance.

Kickstarting Millennium Development Goals

¶14. (U) A central motivation behind the Vatican's engagement is the mounting concern that, at current trends, the Millennium Development Goals will be, as Gordon Brown characterized them, "another set of promises set, reset, and reset again and then only betrayed." In his presentation, Brown offered a bleak assessment of prospects for meeting education, health, mortality, and poverty goals. The IMF's Jack Boorman echoed Brown's concern noting that if MDG goals are to be met or even approached, "substantially more financing will be needed." According to Cardinal Martino, Head of the Holy See's Council for Justice and Peace, the Vatican hopes that the Pope's support of the project will spark greater international support to reach the Millennium Development Goals.

Brown Calls for "New Compact"

15. (U) Beyond building support for the IFF, Gordon Brown made a broader call for "a new compact between developed and developing countries" in which developing countries would devise their own poverty-reduction plans that would eliminate corruption while the wealthier countries would agree to open markets, curb agricultural protectionism, and finance debt relief, education, health, and economic development. This echoed Cardinal Cormac Murphy O'Connor's

opening remarks in which he called for finding "new ways to deliver on our promises." "Either we have the generosity to lift the poor of the world out of the mire," he warned, "or we face a crisis of huge proportions."

Comment

The Holy See will support any mechanism that will increase funding for international aid and development, especially as international aid as a percentage of GNP is dropping worldwide. At the same time, the Pope's admonition that recipient government's have obligations to demonstrate transparency and accountability reflects a welcome recognition that aid flows in the absence of domestic reform will not allow the world to meet its Millennium Goals. The British message, as delivered by Chancellor Brown, tracked closely with the Holy See's views, and they have continued to affirm their support for the IFF in recent meetings with developed and developing country ambassadors. Not all participants were sold on the IFF as a mechanism, but all agreed that more needs to be done to ensure that promises made are kept.

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